

REVIEW OF DU's POWER CONTRACTS PUSHED AFTER OVER-CONTRACTING RAPS

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The Energy Regulatory Commission (ERC) has issued stern warning against distribution utilities (DUs) and electric cooperatives deemed to have been committing offenses of alleged over-contracting on their power supply requirements.

ERC Chairperson Agnes T. Devanadera thus ordered “the review and revision” of the power supply agreements (PSAs) to establish veracity of the allegations hurled against these power utilities.

“I have directed our technical staff to look into bilateral contracts entered by and between DUs and generation companies, more particularly on the aspect of justifications offered on the need for the contract,” the ERC chief stressed.

She noted that the regulatory body “must ensure that the contracts entered by the DUs are indeed required and not become stranded costs that will be passed on to the consumers.”

Devanadera expounded some electric cooperatives were already summoned, primarily those being complained about to be “expecting a generation rate increase due to newly approved contracts to explain and for them to come up with measures to mitigate the impact of power rate increases that they will implement.”

According to the ERC, most power supply deals have “take-or-pay provision”, which essentially denotes that “with or without sourcing of power from the contracted GenCo, the Du shall pay a cost which will be passed on to the consumers.”

In that case, the regulatory body emphasized that “if a DU engages so many power suppliers unnecessarily, it will cause an upward adjustment on the blended generation rate being charged by the DU.”

As far as the ERC is concerned, it noted that it enjoins DUs “to ensure that they should only contract power supply that would address their power requirements so as not to burden the consuming public with an unreasonable high cost of power.”

And for applications on rate approval of PSAs, the Commission indicated that it will now “start looking for the rationale and implications...and the DUs should be able to prove that the PSA will redound to the benefit of the consuming public.”

Fundamentally, the ERC noted that it wants all power supply contracts underwritten to be prudent and must only have reasonable costs when passed on to the Filipino consumers.